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HOUSE RESEARCH ORGANIZATION

daily floor report

Wednesday, April 10, 2013
83rd Legislature, Number 48
The House convenes at 10 a.m.

Six bills are on the daily calendar for second-reading consideration today. The bills are analyzed in today's *Daily Floor Report* and are listed on the following page.

The House will consider a Congratulatory and Memorial Calendar today.

The following House committees had public hearings scheduled for 8 a.m.: Agriculture and Livestock in Room E1.010; Appropriations subcommittee on Budget Transparency and Reform in Room E1.030; Economic and Small Business Development in Room E2.028; Public Health in Room E2.012; and Special Purpose Districts in Room E2.014.

The Urban Affairs Committee has a public hearing scheduled for 10:30 a.m. or on adjournment in Room E2.016. The State Affairs Committee has a public hearing scheduled for 1 p.m. or on adjournment in JHR 140. The following House committees have public hearings scheduled for 2 p.m. or on adjournment: Corrections in Room E2.010; Culture, Recreation, and Tourism in Room E2.026; Energy Resources in JHR 120; Select Committee on Federalism and Fiscal Responsibility in Room E2.036; and Higher Education in Room E1.014.



Bill Callegari
Chairman
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SUBJECT: Use of national registry by the consumer credit commissioner

COMMITTEE: Investments and Financial Services — committee substitute recommended

VOTE: 7 ayes — Villarreal, Flynn, Anderson, Burkett, Laubenberg, Longoria, Phillips
0 nays

WITNESSES: For — (*Registered, but did not testify:* Allen Beinke, Texas Property Tax Lienholders Association; Daniel Gonzalez, Texas Association of Realtors; Doug Ruby, Texas Property Tax Lienholders Association)

Against — None

On — Robert Bacon, Texas Department of Banking; Leslie Pettijohn, Office of Consumer Credit Commissioner; John Fleming;.

BACKGROUND: The Nationwide Mortgage Licensing System and Registry (NMLS) was created by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators in 2008. It serves as a system of record for the licensing and registration of non-depository financial services companies and individuals.

The U.S. Congress passed the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) in 2008. It requires residential mortgage originators to register with the NMLS. The NMLS has expanded to include other business segments and types of lenders.

Texas Finance Code, sec. 180.052 requires licensed residential mortgage loan originators to enroll with the NMLS. The Office of the Consumer Credit Commissioner regulates the credit industry in Texas.

DIGEST: CSHB 1721 would allow the Office of the Consumer Credit Commissioner (OCCC) to require applicants seeking a license to work in a consumer loan, motor vehicle installment loan, property tax lending, credit access (including payday and auto title lenders), or debtor assistance business to submit information, documents, or fee payments through the Nationwide Mortgage Licensing System (NMLS).

The commissioner could use the NMLS as a channeling agent to obtain certain information, including criminal history and administrative, civil, or criminal findings by a government jurisdiction, that was required for the license or registration application process.

The bill would take effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 1721 would improve the Texas commissioner's coordination with other state regulators, allow businesses to operate more efficiently, protect consumers, and prevent encroachment by federal regulators.

The bill would allow the commissioner to operate more efficiently and effectively by accessing applicants' license information through the NMLS. Many other states already use the NMLS. Allowing the Texas commissioner to use the registry system would help the OCCC to better perform its job by improving access to applicant information.

The bill would benefit companies registered in more than one state by allowing them to use the NMLS as a central depository for license application, modification, and renewal. Many companies regulated by the commissioner operate in multiple states, so allowing their use of the national registry would reduce paperwork, increase efficiency, and allow for the management of licensing from a national perspective.

Companies that operate only in Texas still would be allowed to use the commissioner's online portal to file a single application. Pawnbrokers, which are not subject to CSHB 1721, could continue to operate as they do today because they often are small businesses that operate only within the state.

Texas' banking industry and protections for consumers would be strengthened by the sharing of information with other state bank regulators. Bad actors that did business unethically in another state would not be able to move to Texas and establish themselves undetected.

The bill would help prevent the encroachment of federal regulators. The NMLS is run by state regulators, and using the system could prevent the federal government from taking up that role.

OPPONENTS

The bill should include pawn shops in the types of companies that use the

SAY: NMLS. The ability to share information with other state regulators about those pawn shops that do operate in multiple states would strengthen consumer protection.

NOTES: The committee substitute removed pawn shops from the list of businesses that would be regulated by the bill.

The companion bill, CSSB 232 by Carona, passed the Senate by a 31-0 vote on the Local and Uncontested Calendar on March 13.

SUBJECT: Including service branch emblems on certain specialty license plates

COMMITTEE: Defense and Veterans' Affairs — favorable, without amendment

VOTE: 8 ayes — Menéndez, R. Sheffield, Farias, Frank, R. Miller, Moody, Schaefer, Zedler

0 nays

1 absent — Collier

WITNESSES: For — (*Registered, but did not testify*: James Cunningham, Texas Coalition of Veterans Organizations and Military Officers Association of America; Carlos Higgins, Austin Military Officers Association; Philip Lindner, National Guard Association of Texas; Patrick Hogan)

Against — None

On — (*Registered, but did not testify*: Randy Elliston, Texas Department of Motor Vehicles)

BACKGROUND: Transportation Code, sec. 504.202 allows the inclusion on the license plates of a disabled veteran one emblem that signifies the receipt of a certain military service medal, survival of the attack on Pearl Harbor, or that the veteran was wounded in combat or is a former prisoner of war.

DIGEST: HB 614 would allow disabled veterans to include on their specialty license plates the emblem of the branch of military in which they served or another emblem related to their military service to which they were entitled.

The bill would take effect September 1, 2013.

SUPPORTERS SAY: HB 614 would give disabled veterans the option to display on specialty license plates the Armed Forces branch emblem that honors their time serving in the U.S. military. The bill would allow disabled veterans to express their pride in the branch of the Armed Forces to which they were so closely linked and would help promote military service.

Displaying military emblems on specialty license plates that identify disabled veterans who served in the Army, Navy, Air Force, Marines, or Coast Guard would not be difficult because the state already produces customized emblems and insignia that promote a variety of organizations and interests, ranging from sports teams to cancer awareness and marine conservation. There would be no significant cost to the state to implement the bill.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The companion bill, SB 530 by Birdwell, et al., was passed by the Senate by voice vote on March 27.

SUBJECT: Revising eligibility criteria for service on an appraisal review board

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 5 ayes — Hilderbran, Bohac, Button, N. Gonzalez, Strama
0 nays
4 absent — Otto, Eiland, Martinez Fischer, Ritter

WITNESSES: For — (*Registered, but did not testify:* Jim Robinson, Texas Association of Appraisal Districts)
Against — None
On — Debbie Cartwright, Office of the Comptroller

BACKGROUND: Appraisal review boards are charged with resolving property valuation disputes between taxpayers and an appraisal district. Under Tax Code, sec. 6.412(d), a person cannot serve on an appraisal review board of an appraisal district in a county with a population greater than 100,000 if that person has served for all or part of three previous terms as a board member or auxiliary board member.

In a county with a population of 100,000 or fewer, a person who has served for all or part of three consecutive terms as a board member or an auxiliary board member is ineligible to serve a fourth consecutive term.

DIGEST: HB 326 would allow a person who served all or part of three consecutive terms as a member of an appraisal review board for an appraisal district to serve another term, as long as the person did not serve a consecutive fourth term.

The bill would take immediate effect if it finally passed by a two-thirds record vote by the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

HB 326 would ease term restrictions for appraisal review board members in counties with populations of more than 100,000. Currently, appraisal review board members in these larger counties are limited to serving three terms. Many appraisal boards have difficulty finding qualified candidates to fill vacant slots, and the unnecessary limit bars experienced members from continuing to apply their knowledge and expertise to review board proceedings.

The bill would extend to the 39 counties with a population greater than 100,000 the restrictions that now apply to smaller counties. In these smaller counties, appraisal review board members may serve for no more than three consecutive terms. They may serve three consecutive terms, take off one term, and then return to serve again. This restriction strikes a balance between retaining experienced board members and guarding against entrenchment.

Claims that removing these limits could lead to a loss of impartiality are exaggerated. Experience is more likely to lead to greater independence than to institutionalization, as knowledgeable and versed appraisal review board members are more likely to be confident in their ability to assess property independent of the appraisal district.

**OPPONENTS
SAY:**

HB 326 unnecessarily would roll back current limits on how many terms a person could serve on an appraisal review board in the state's more populous counties. Populous counties do not have the same difficulty finding qualified applicants that small counties encounter.

Board members who serve too many terms can become entrenched and unresponsive to taxpayer appeals of property valuation. Board members and auxiliary board members should be impartial arbitrators of the arguments and claims of both taxpayers and appraisal districts. This could be jeopardized by easing term limit restrictions.

NOTES:

In 2011, an identical bill, HB 975 by Dutton, passed the House but was left pending in the Senate Intergovernmental Relations Committee.

SUBJECT: Extending automobile insurance to vehicles acquired mid-policy

COMMITTEE: Insurance — committee substitute recommended

VOTE: 9 ayes — Smithee, Eiland, G. Bonnen, Creighton, Morrison, Muñoz, Sheets, Taylor, C. Turner
0 nays

WITNESSES: For — Jeff Martin, Texas Independent Auto Dealers Association; Karen Phillips, Texas Automobile Dealers Association; (*Registered, but did not testify*: Ware Wendell, Texas Watch)

Against — Jay Thompson, Association of Fire and Casualty Companies in Texas

On — Thomas Ratliff, American Insurance Association; (*Registered, but did not testify*: Beaman Floyd, Texas Coalition for Affordable Insurance Solutions; Leslie Hurley, Texas Department of Insurance)

DIGEST: CSHB 949 would extend personal automobile insurance policies to cover vehicles acquired during a policy's term. The bill would require the insurance policy to provide coverage to an acquired vehicle if the policyholder notified his or her insurer within 20 days of becoming the owner of the acquired vehicle, unless the policy specified a later date.

The coverage level for a vehicle acquired *in addition to* a covered vehicle would be set at the broadest coverage for any insured vehicle already on the policy.

A newly acquired vehicle *replacing* a covered vehicle would be insured at the level of the covered vehicle. An insured could notify the insurer within 20 days or a policy's later date to add coverage to the replacement vehicle for damage to the vehicle or, in a policy with existing coverage, notify the insurer after 20 days or the later date to continue it.

CSHB 949 would apply to private passenger vehicles and to pickups, utility vehicles, and vans weighing 30,000 pounds or less that, unless they were used for farming or ranching, were not primarily for the

transportation of goods.

The bill would take effect September 1, 2013 and apply to insurance policies issued or renewed on or after January 1, 2014.

**SUPPORTERS
SAY:**

CSHB 949 would protect vehicle owners, auto dealers, third-party lenders, and the public from newly acquired vehicles unknowingly being without insurance coverage.

Newly acquired vehicle insurance varies by insurer and is often unclear even in declarations pages and insurance policies, and insurance agents are sometimes unreachable, particularly during sales conducted outside regular business hours and on holidays. Without a statutory minimum standard of coverage, this uncertainty has resulted in accidents involving uninsured new and replacement vehicles in which no financial recovery could be made.

The 20-day allowance would balance the time necessary to confirm and update a newly acquired vehicle's policy with the importance of maintaining coverage. CSHB 949 would be a common sense measure to increase the automotive insured rate and reduce financial losses to owners and lenders.

**OPPONENTS
SAY:**

CSHB 949 inappropriately would transfer individual financial responsibility from the consumer to the government and would incentivize consumers to purchase insurance that they did not want or need.

The bill would extend a policyholder's broadest pre-purchase coverage to an additional vehicle instead of the minimum liability coverage required by law. This increases the likelihood the consumer would continue paying for the more expensive policy, even for lower-value vehicles.

Similarly, were a consumer to trade in an automobile for another of lower value, the insurance extended would likely be unnecessarily broad and expensive. Especially during difficult economic times, consumers should have to opt in to more expensive coverage, not opt out.

NOTES:

CSHB 949 differs from the bill as introduced in that it would:

- reduce the notification period from 30 days to 20 days;

- apply to utility vehicles; and
- increase the weight requirement for pickups, utility vehicles, and vans from 10,000 pounds to 30,000 pounds.

SUBJECT: Allowing local governments to jointly administer TRZs

COMMITTEE: Transportation — committee substitute recommended

VOTE: 10 ayes — Phillips, Martinez, Burkett, Y. Davis, Fletcher, Guerra, Harper-Brown, Lavender, Pickett, Riddle

0 nays

1 absent — McClendon

WITNESSES: For — Duane Gordy, Community Development Education Foundation; (*Registered, but did not testify:* C. Brian Cassidy, Alamo RMA, Cameron County RMA, Camino Real RMA, Central Texas RMA, Grayson County RMA, North East Texas RMA; Randy Erben, Port of Corpus Christi Authority; Jeff Heckler, Raba Kistner Infrastructure; Mike Heiligenstein, Central Texas Regional Mobility Authority; Mark Mendez, Tarrant County Commissioners Court; Rider Scott, Dallas Regional Mobility Coalition; Monty Wynn, Texas Municipal League)

Against — None

On — (*Registered, but did not testify:* James Bass, Texas Department of Transportation)

BACKGROUND: Current law allows municipalities and counties to establish transportation reinvestment zones (TRZs) in their boundaries to fund highway projects. Municipalities and counties may dedicate to a TRZ a *tax increment* from property taxes collected in the zone annually. For a municipality (Transportation Code, sec. 222.106) or county (Transportation Code, sec. 222.107) establishing a TRZ:

- the *tax increment base* of a local entity is the total appraised value of all real property located in a zone for the year in which the zone was designated;
- the *captured appraised value* is the total appraised value of all real property in a zone for a subsequent year, minus the entity's *tax increment base*; and
- a *tax increment* is the amount of property taxes assessed for one

year on the *captured appraised value* of real property in the zone.

DIGEST: CSHB 1290 would add Transportation Code, sec. 222.111, allowing two or more local governments jointly to administer TRZs that the entities designated.

A local government could designate a TRZ outside its boundaries upon finding that the project would serve a public purpose and would benefit property and residents in the zone. The zone would have to be designated for the same project by contiguous local governments and would have to be subject to an agreement for joint administration by participants.

An agreement for joint administration could provide for:

- creating a board of directors, comprising one person appointed by each party to the agreement and one person jointly selected by all members, to oversee the zones;
- establishing a joint tax increment account;
- maintaining separate accounts for funds from these zones;
- commitments from participating entities to transfer tax increments to a joint account; and
- pledging the tax increment to an entity developing a transportation project.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 1290 would enhance the ability of counties and municipalities to use an existing tool, transportation reinvestment zones, to finance transportation projects in cooperation with other local governments. Under the bill, a local government that would benefit from a transportation project outside its jurisdiction could create a zone and pledge funds to assist in securing financing for the project.

Current law allows local governments to establish TRZs to finance transportation projects in their jurisdictions. By their very nature, however, transportation improvements span jurisdictions, and an efficient transportation network requires coordination among many different entities.

Current law has no provisions sanctioning local governments to enter into formal cooperative agreements. CSHB 1290 would provide the specific authorization needed to enable local governments who currently operate or are considering establishing TRZs to finance these projects collaboratively with neighboring government entities.

The bill would take a small but worthwhile step toward improving a transportation financing option available to local governments in an era of increasing congestion and limited resources. While there may be other approaches to securing additional funding for highways, fee and tax increases have proved a political impossibility in recent sessions. In a context of fixed state and federal funds for transportation projects, it is critical to maximize the options available for developing transportation projects. At present, five reinvestment zones have been designated throughout the state, and at least three local governments are planning zones.

Expanding the use of TRZs statewide would allow local governments to maximize available resources without tax increases. Despite some claims, the bill would not authorize a tax increase directly or indirectly. Although property values in a zone may increase as a result of economic development stemming from a transportation project, no property is taxed at a higher rate due to its inclusion in a TRZ.

OPPONENTS
SAY:

Increasing opportunities to establish TRZs represents an expansion of the troubling practice of using property taxes to fund transportation projects. This is a questionable use of property taxes — which are problematic and antiquated in themselves — and could create an incentive to increase appraisals of property in the zone. Further, the increment dedicated to paying the costs of transportation projects is diverted from other pressing local needs.

CSHB 1290 would continue the state's piecemeal approach to transportation finance without addressing the core funding issue facing the state. Reinvestment zones do not provide any additional state revenue to local entities and further a longstanding precedent of evading difficult decisions about transportation funding for the state.

NOTES:

CSHB 1290 added language to the filed bill that would allow a local government to designate a TRZ outside its boundaries upon finding that

the project would serve a public purpose and would benefit property and residents in the zone. The committee substitute also added a provision that would govern the composition of a board of directors for a jointly administered reinvestment zone and expanded the list of subjects an agreement could include.

SUBJECT: Establishing the Texas Fast Start Program

COMMITTEE: Economic and Small Business Development — committee substitute recommended

VOTE: 7 ayes — J. Davis, Vo, Bell, Isaac, Murphy, Perez, Workman
0 nays
2 absent — Y. Davis, E. Rodriguez

WITNESSES: For —Jon Engel; Dale LaFleur, Total PAR; David Lindsay, NCCER; Marinell Music, BASF; (*Registered, but did not testify:* Joe Arnold, Texas Association of Manufacturers; Kathy Barber, NFIB/Texas; Steve Hazlewood, The Dow Chemical Co.; Leslie Helmcamp, Center for Public Policy Priorities; Steven Johnson, Texas Association of Community Colleges; Mike Meroney, Huntsman Corporation & Sherwin Alumina Co.; Carlton Schwab, Texas Economic Development Council; Stephanie Simpson, Texas Association of Manufacturers; Michael White, Texas Construction Association; Daniel Womack, Texas Chemical Council)

Against — None

On — Brenda Hellyer, Texas Assoc. of Community Colleges; Mike Reeser, Texas State Technical College System; Larry Temple, Texas Workforce Commission; (*Registered, but did not testify:* Garry Tomerlin, Texas Higher Education Coordinating Board)

DIGEST: CSHB 834 would require the Texas Workforce Commission (TWC), in partnership with the Texas Higher Education Coordinating Board (THECB), to establish and administer the Texas Fast Start Program, a career and technical education program designed to help students earn postsecondary certificates and degrees and enter into the workforce quickly.

The program would identify and develop methods to support competency-based, rapid-deployment education delivery models for public junior colleges, public state colleges (Lamar State Colleges in Orange and Port Arthur or the Lamar Institute of Technology) and public technical

institutes (Lamar Institute of Technology or the Texas State Technical College System). The models would be designed to assist students in maximizing academic or workforce education program credit to expedite their entry into the workforce.

TWC would be required to work collaboratively with THECB and the colleges and institutes to create the program and establish models. The colleges and institutes could use the models in developing or expanding a Fast Start program that would:

- focus on the current and future needs of Texas employers;
- enable students to obtain postsecondary certificates and degrees at an accelerated pace in high-demand fields or occupations, as identified by local employers;
- incorporate competency-based learning techniques;
- feature a variety of access channels designed to maximize job preparedness for groups such as veterans, high school graduates, and those seeking retraining; and
- be designed for rapid deployment statewide.

Through the collaboration, TWC could award grants to expand existing or develop new programs. Grants would be used only to:

- support a course or program that prepared students for career employment in fields or occupations that were identified as high-demand by local employers;
- finance the initial costs of developing a Fast Start program, including the costs of building or renovating facilities, buying equipment, and other associated expenses;
- finance the development or expansion of a Fast Start program leading to a postsecondary certificate or degree; or
- offer a new or expanded dual credit Fast Start program jointly with a public high school.

TWC and THECB could adopt rules to administer the program. They would administer the program using money appropriated for that purpose, money received from federal or other sources, or money from holding accounts that could be used by TWC for skills development.

CSHB 834 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take

effect September 1, 2013.

**SUPPORTERS
SAY:**

CSHB 834 would establish the Texas Fast Start Program to promote rapid delivery of workforce education and development. Demand for skilled workers continues to grow as the Texas economy flourishes. Most of the fastest-growing job sectors will require workers with some postsecondary education, many in the form of skills certification. Developing more fast-track, affordable certification programs in high-demand industries would be beneficial to both employees and employers in Texas.

The Fast Start program would fill a gap in workforce education by training workers more quickly and in the skills local industries most need. It would take a competency-based approach, allowing students to advance through classes as they mastered skills, rather than requiring an arbitrary number of hours in classrooms or labs. This would allow students to move more rapidly through training and into paying jobs. Many students and unemployed workers do not have the time, resources, or interest to sink into longer, calendar-based programs, which leads many to drop out or avoid the programs altogether. A growing number of people need skills training or upgrading but cannot afford to go to school full time for up to two years.

For employers, rapid technological changes have reshaped the types of skills they need their employees to have. The Fast Start program would allow a faster and more flexible response to these changes.

Concerns that CSHB 834 would not be adequately prescriptive, especially regarding input on program development, are off target. The bill intentionally was drafted broadly so the program could be adaptable and to avoid affecting existing workforce programs at some of the larger community colleges. It would be more appropriate to have details, such as incorporating support services and regional planning, handled during rulemaking.

**OPPONENTS
SAY:**

The Texas Fast Start Program under CSHB 834 should provide for support services, such as child care, which often present the biggest barrier to unemployed and underemployed workers seeking further skills and training.

Also, because regional planning is a critical factor in successful workforce development, the bill should require that Fast Start providers work not

only with colleges and institutes but also with nonprofit organizations and other entities in their regions. Such entities could include business and industry, workforce development and community-based organizations, school districts, and adult education programs. Input from these groups in all aspects of program development, including student recruitment and selection, would help reduce barriers and promote successful completion of the Fast Start program.

NOTES:

Unlike HB 834 as introduced, the committee substitute would:

- require TWC to partner with THECB to establish and administer the Fast Start program;
- apply to public state colleges; and
- specify that students could obtain “postsecondary certificates and degrees,” rather than “career certifications,” through the program.

SB 441 by Birdwell, the identical companion, passed the Senate by voice vote on March 26 and was referred to the House Committee on Economic and Small Business Development on April 2.